- Major progr
- Teleprompte
- CNN awaits outcome of network pool lawsuit
- Nielsen/Arbitron release year-end subcounts

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CableVision

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January 11, 1982

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Splicing it all together:
The 1982 cable construction forecast

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CableVision | Volume 7, Number 18. January 11, 1982

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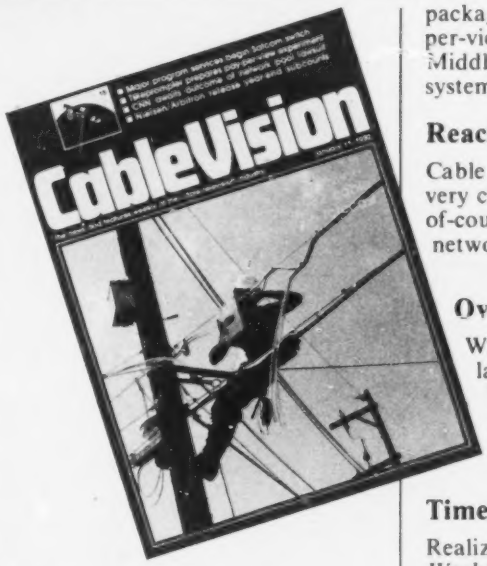
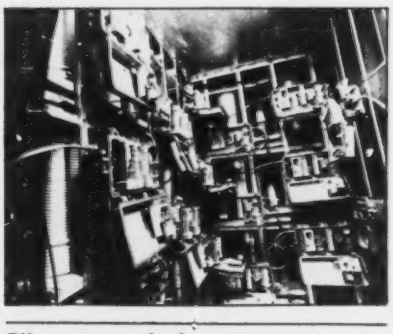


Building up

Forecasts from industry operators and manufacturers peg 1982 as another big year for cable construction, although perhaps not as healthy as the year past. However, the construction industry has little to fear in terms of lack of work, as many of the large franchises granted in 1981 begin the lengthy process of wiring, and smaller systems prepare for the rebuild era. *CableVision*'s seventh annual forecast of total construction expenditures begins on **page 46**. Cover photo courtesy of Jackson Enterprises.



Time to switch

With Satcom III-R's successful launch two months ago, last week saw the transfer from Satcom I to the new bird for all those program services presently on Satcom I, plus a few new ones. **Page 15.**

Making pay pay

Teleprompter has signed a deal with MCA/Universal to provide a movie package of major titles for a pay-per-view experiment in its Middletown, Connecticut, cable system. **Page 16.**

Reaching settlement

Cable News Network is said to be very close to settling its lawsuit out-of-court over access to pooled network coverage method. **Page 18.**

Over the top

Warburg Paribas Becker releases its latest report on the cable industry. The prediction: cable penetration will reach 31 percent in 1982. **Page 22.**

Time to get in

Realizing that the time is now, the *Washington Post* has announced its plans to provide local news, information and advertising to cable systems using leased channels. The first experiment will take place on a local level. **Page 24.**

The Daytime woman

Hearst/ABC's joint programming venture, Daytime, scheduled for a March 1982 launch, is beginning to learn just exactly what kind of woman will watch the service. An audience research survey calls the Daytime viewer and female cable subscriber "a quality consumer." **Page 30.**

The results are in

Final reports from Arbitron and Nielsen place basic cable's penetration rate at over 20 million households. Individually, Nielsen hits 23 million and Arbitron takes a surprise leap. **Page 38.**

New territory

Denver-based Daniels & Associates ventures into limited partnerships, maintains its number one position as cable's investment banker and moves into plush new headquarters. **Page 77.**

Please, no secrets

American Telephone and Telegraph has lost its bid to keep some of its separate subsidiary information confidential. The request has been denied by the FCC, which involves material pertaining to AT&T's capitalization plan for "Baby Bell." **Page 107.**

Closing the year

A.C. Nielsen and Arbitron issue their final cable counts for 1981

NEW YORK — The giants of the media measurement trade, Arbitron and A.C. Nielsen, released their final basic cable penetration counts of the year last week. As they stand, the findings place the wired universe above 20 million homes. Arbitron's by a few hundred thousand, Nielsen's by a few million.

Throughout the year, Nielsen posted the higher cable counts of the two, a trend that didn't stop with its November 1981 tally of 23,219,200 households, 28.3 percent of the nation's television homes. Nielsen's figure is more than one million homes and one full percentage point above July 1981's total of 21.9 million (27.3 percent). But it was Arbitron that managed to surprise the industry this time around, by going over the 20 million homes mark for the first time. Just five months before, its figures stood at 17.6 million. The research firm's November count surged to 20,307,829 cable households (25 percent), nearly three million homes and three percent above its July report.

With its latest figures, Arbitron managed to trim down the controversial basic homes penetration gap between its organization and Nielsen (*CT*, 8-3-81, p. 24). Earlier this year, approximately four million homes separated the reports. Arbitron's November jump cuts the gap to just under three million households. In another way, Arbitron and Nielsen managed to stay even with each other. For the ten-month period covered by the 1981 counts (February through November), Arbitron recorded a total homes gain of 3,315,029 households, with Nielsen showing a 3,491,910 cable household increase. The percentage rate increase for the period is three percent on both surveys.

From July to November 1981, Nielsen recorded a gain of 1.28 million cable households, approximately 322,000 homes added per month. Arbitron's number is more dramatic: 2.7 million homes, or approximately 675,000 homes added per month.

Asked about the sudden homes increase, Arbitron Marketing Vice President Pete Megroz attributed the jump to a combination of natural subscriber growth and more accurate data from operators. "We're trying to encourage individual operators and MSOs to provide more accurate subscriber information. It looks like the drive is starting to pay off. The numbers this time around look more reliable to the industry.

"There's no one reason why the numbers went up dramatically," he asserted. "It's like calling up a person to say that the rating book is in, the news on their station jumped up four share points, and the guy says I'm a genius. That's how the facts and figures come in."

Nielsen's cable penetration count of the top 30 television markets came out higher than Arbitron's figures in all but three markets (see accompanying chart). In Chicago and St. Louis, Arbitron posted higher homes and percentage tallies, while in Denver, both services came up with the same percentage rate (11.5), Arbitron coming up with slightly more cable homes. Of the top 30 markets, San Diego led both charts in cable penetration, 50.5 percent penetration on Arbitron's survey, 55.1 percent on Nielsen's. Lowest penetrated cities among the top 30: Chicago, Detroit, Baltimore and St. Louis. Of all markets surveyed, Las Vegas continued its status as the lowest penetrated area in the nation, with a 1.3 percent penetration estimate from Arbitron to Nielsen's 3.9 percent.

For some time, industry analysts have been boasting about cable's ability to crack the 30 percent penetration barrier by next spring. With the latest reports, those projections are firmly on target to be realized. Along

(Continued on page 43.)

1981 Basic Cable Penetration Counts

	Arbitron Households	TV Household Percentage	Nielsen Households	TV Household Percentage
February 1981	16,992,800	22	19,727,290	25.3
May 1981	17,376,700	22	21,260,000	26.5
July 1981	17,607,000	22	21,930,490	27.3
November 1981	20,307,829	25	23,219,200	28.3

Cable Penetration
Top 30 Markets/November 1981

City	Arbitron Households	%	Nielsen Households	%
New York	1,302,676	20.3	1,563,030	24.4
Los Angeles	583,559	14.1	826,580	19.6
Chicago	168,692	5.7	152,130	5.2
Philadelphia	596,172	25.0	690,120	28.7
San Francisco	678,267	34.6	779,080	39.9
Boston	323,068	17.2	342,840	17.9
Detroit	98,591	5.9	121,450	7.3
Washington, D.C.	155,971	10.6	178,100	12.1
Cleveland	289,884	20.8	311,410	22.2
Dallas-Ft. Worth	157,450	11.6	195,970	14.5
Houston	166,346	13.0	216,030	17.2
Pittsburgh	497,830	40.6	539,570	44.9
Miami	168,460	15.2	192,900	17.5
Minneapolis-St. Paul	68,762	6.3	73,750	6.9
Seattle-Tacoma	345,001	31.7	382,830	35.0
Atlanta	183,441	16.9	232,020	21.8
St. Louis	84,756	8.3	77,680	7.5
Tampa-St. Petersburg	141,402	15.1	223,910	21.8
Denver	100,573	11.5	99,060	11.5
Baltimore	60,387	7.0	65,300	7.8
Sacramento-Stockton	168,437	20.8	205,470	24.6
Indianapolis	171,869	21.6	189,260	23.5
Portland, Oregon	134,140	17.0	155,250	19.7
Hartford-New Haven	336,858	42.9	321,630	45.4
Phoenix	66,513	9.1	98,140	13.5
Cincinnati	77,078	11.0	104,060	14.7
San Diego	352,086	50.5	385,550	55.1
Kansas City	167,256	24.0	206,980	30.0
Milwaukee	55,830	8.2	76,200	11.2
Nashville	102,009	15.6	132,910	19.7

(Continued from page 38.)
with that, the November counts (Nielsen's 23.2 homes figure in particular) are bound to set off a new wave of speculation over where cable penetration will stand by the end of 1982. The expectations for this year were generally hovering around the 21 or 22 million homes mark, with the outlook for 1982 hovering between 27 and 28 million. Together with the granting of major market franchises around the country (Dallas, Ft. Worth and low-budget-basic Boston, to name a few), the new estimates may lead some insiders to place their homes counts for the year ahead at a higher-than-expected level.

CBS Cable is slowly proving to be an attractive product on the local advertising level.

Cultural sell

CBS Cable is making advertising headway at the local level, as two cable systems report

NEW YORK—As CBS Cable's national sales force continues to weather early tough going attracting sponsors (four so far: Kraft, Exxon, Kellogg's and Quaker Oats), several local systems taking the four-month-old cultural channel have managed to hold up their end of the advertising boat. In the case of two East Coast systems, selling time on the network has been combined with the challenges of selling an operator's full ad-supported output for the first time.

Beyond CBS Cable, United Cable's system in New Britain, Connecticut, and Village Cable in Chapel Hill, North Carolina, have two things in common: 30-plus channel capacity and a September plunge into the local advertising sales realm. The differences between the two systems begin with subscriber bases (United with 40,000 homes; Village Cable with 6,000) and continue with their respective advertising strategies.

For United Cable, the advent of CBS and culture, in the opinion of ad manager Eric Hansen, has opened some doors close to the service's nature. "Our local symphony orchestra and repertory theater, specialized clients that easily fit the channel, have already taken spots. That's an opening." However, most of the clients taking CBS Cable messages are doing so as part of a cable package involving ESPN, CNN, USA and other networks. "Some advertisers aren't crazy about being on CBS," Hansen admits. "But clients like banks, car dealers, supermarkets, the standard client we're getting, say they want a whole cable audience, a little bit of everything. And that means culture with bits of news or sports."

To cope with the need, United came up with a special 13-week rate, known as Best Channel Available. Under the plan, an advertiser can buy time on three channels (one spot per day on each network, running from 6 p.m. to midnight) for $10 per 30-second message. Local ad spots normally go for $20 per spot. Along with the performing arts groups, United has attracted the state's Pepsi bottlers and Connecticut Casualty and Life among its early clients. Hansen adds that the local, cultural organizations will be able to plug upcoming events on a special billboard segment Friday nights, due to start shortly.

Performing arts groups have been slow to take ads on CBS Cable in Chapel Hill. But the takers have shown themselves anyway, claims system president Jim Heavans. Charging $18 per 30-second message for local CBS breaks (the same rate as other ad-supported networks on the system), Heavans says the service has sold spots to local real estate firms, fashion retailers and insurance dealers.

"One early trend is that sponsors buy CBS and CNN spots together. The notion is that both networks tend to draw upscale viewers—CNN with the male audience and CBS the female demographics," he says.

Village Cable also had help from a sales meeting last summer that drew between 150 to 175 sponsors. "At the time, we decided our market approach would be very candid off the bat," Heavans recalls. "We went to the market and set a rate—$10 per spot for every advertiser that signed on with us before September 15. And we told them that no matter how many spots they bought, their contracts would be protected for one year. The response was like a land auction."

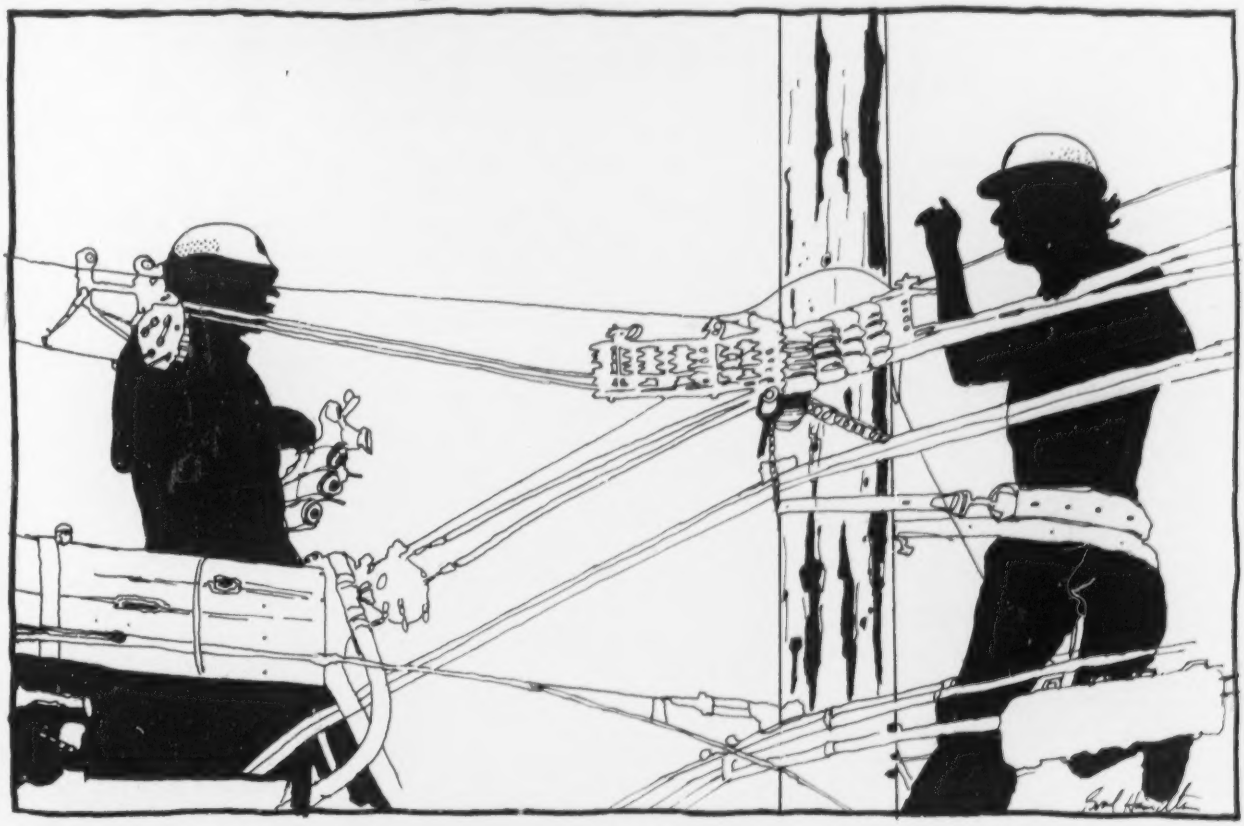
With seven channels to sell time on (USA, ESPN, an alphanumeric weather channel, shopping and local origination services in addition to CBS and CNN), Village Cable is projecting ad sales of $500,000 this year. Officials of United's New Britain system declined to project 1981 or 1982 figures.

—Simon Applebaum

Note

New ad agency for RCTV

The Entertainment Channel has appointed Levine, Huntley, Schmidt, Plapler and Beaver, Inc., as its advertising agency. According to TEC Chairman Arthur Taylor, the agency will handle all of the new pay service's advertising and promotion work. The Entertainment Channel, a joint venture of Rockefeller Center, Inc., and RCA, Inc., is scheduled to launch this coming spring. Levine Huntley launched campaigns for People Express Airlines and Kronenbourg Beer in 1981. The agency's older clients include Subaru of America and *New York Magazine*.



The beat goes on

But is the industry listening to a different drummer?

Relatively free from the hardships being felt by many other businesses in the United States, the cable industry will continue to grow in 1982, albeit increasing, in one manufacturer's words, "at a decreasing rate." However, construction figures acquired for 1982 have prompted *CableVision* to forecast approximately $1.8 billion in total construction expenses. This figure, in the eyes of some operators, is seen as being somewhat conservative, but in *CableVision's* view, it adequately reflects what appears to be a new conservatism within the industry. There is no doubt that 1981 was a banner year, with cable enjoying an adjusted growth rate of 43 percent. 1982 will see another heavy growth period, but not at such a high rate. It seems evident that while the number of new plant miles will grow from the 71,000 in 1981 to 85,168 for 1982, the total expenditures increase will be about 30 percent.

This expenditure for 1981, $1,403,878,000, reflects the thinking of many industry observers, who agreed that in 1981 cable brushed closely to the $1.5 billion mark but had not actually reached it. On the other side of the coin, some manufacturers were confident that cable had already come close to the $2 billion figure. However, *CableVision's* survey of operators simply tells us that the industry is not there, yet. 1982 will see expenditures surpassing $1.8 billion, but $2 billion is still a way off. Optimistically speaking, with a possible rally toward the end of 1982, specifically in the field of addressable converters, and more generally in the area of continued mileage growth, the $2 billion mark could be reached. But, presently this does not appear to be the case. Again, the word "conservatism" is cited simply because many individuals within the industry and a variety of analysts outside it expect to see a slight slowdown in total construction activity for 1982.

The reason for the potential slowdown boils down to one word—economy. "The cost of money is presently too high," said one manufacturer, echoing a statement made by many whom *CableVision* contacted during the course of the survey. "Unless the cost of money comes down, some construction contracts will either slow down or will be temporarily halted," added an operator. The cable industry has, in the past, been unaffected by the double digit inflation and skyrocketing prime rate, but such persistence is rapidly eroding.

Operators and manufacturers alike proudly insist that the cable industry always seems to buck the system, unlike many other industries (notably automobiles, housing and raw materials), but this may not prove true in the future. Granted, comparing auto manufacturers to cable construction is like comparing apples to oranges, but it is evident that both fields are highly capital-intensive and it is here where the potential trouble lies for the cable industry.

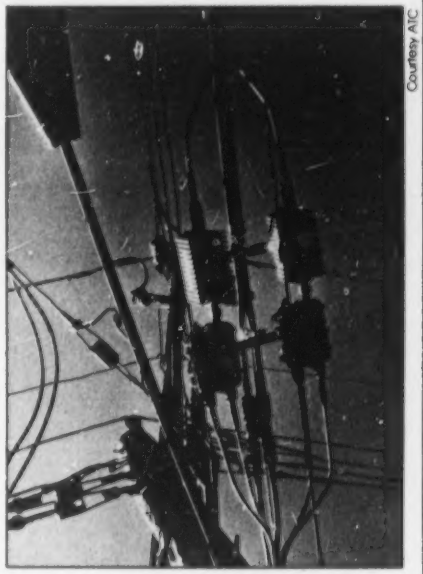
Construction expenditures

New plant construction In miles	1981 Actual	1982 Projected
Underground	14,110	18,607
Aerial	57,505	66,561
Total	**71,615**	**85,168**
Cost ($ in thousands)		
Antennas and towers	3,750	4,103
Microwave equipment	25,000	27,684
Headend	28,611	32,658
Line amplifiers	103,256	132,360
Cable—Trunk	81,810	98,373
Feeder	97,448	115,263
Drop	59,419	80,695
Taps and outlets	39,611	46,065
Converters—Nonaddressable	213,760	300,000
Addressable	53,440	96,000
Construction services	250,276	294,486
Earth stations	13,750	18,695
Pay TV security devices	53,694	67,653
Local origination equipment	24,164	30,737
Labor costs	270,154	353,029
Total	**1,318,143**	**1,697,801**
Replacement plant construction		
In miles		
Underground	7,247	9,376
Aerial	16,705	22,083
Total	**23,952**	**31,459**
Cost ($ in thousands)		
Antennas and towers	1,391	1,803
Microwave equipment	3,276	4,248
Headend	1,585	2,103
Line amplifiers	13,167	22,500
Cable—Trunk	11,538	17,964
Feeder	23,400	30,346
Drop	21,250	26,558
Taps and outlets	4,278	7,248
Converters—Nonaddressable	5,100	6,477
Addressable	750	1,413
Total	**85,735**	**120,660**
Grand total	**1,403,878**	**1,818,461**

These totals reflect a lower amount than projected in last year's construction expenditure as a major category has since been removed. The total miles include dual trunk, counted as two miles for each one mile strung, but do not take institutional loops into consideration.

The fluctuating stock market and high interest rates have hampered the cable industry in its drive to seek needed financing. This is perhaps best reflected in the increasing number of joint ventures in the industry, revealing the need to pool resources to weather the financial burden of building a cable system that encompasses some 100,000 to 200,000 homes. Some of the larger MSOs have relied on allowances from their parents, while other companies have been able to secure lines of credit. Whatever the financial source, the MSOs and the independent operators must face the fact that construction costs are going to continue to escalate.

The survey indicates that the most dramatic increase in expenditures for 1982 will circle around labor. 1981 saw a $70 million increase in labor, which more than supported operators' predictions in the fall construction report (*CV*, 9/14/81, p. 56), that labor would have its effect on construction levels and the speed in which systems are being built. For 1982, projected labor costs will rise to $353 million, a 31 percent increase. Are cable operators prepared to allocate more dollars to this category?



Courtesy ATC

"The question of compensation is making its presence felt as a part of a possible slowdown in construction," said one operator. Another MSO executive pointed out that "as construction crews demand more money for their work, it may become evident that the demand for construction crews and the need to complete the wiring on schedule will force operators to seek other, inexperienced crews at lower wages." This observation is not unique. Some operators fear that in the desire to complete a system, contractors and subcontractors with little cable construction experience will be brought in to wire a system, often causing unnecessary delays or, in some cases, performing less than adequate work that may have to be redone or becomes defective only several years after the initial installation. This one factor—being forced to rebuild sections of wire—has contributed to the total construction costs. As one manufacturing executive says, "A big problem is that operators want to put up the wire fast, get those subscribers on line and earn a quick return on their investments." Another operator adds, "When you crack cable, you do two things—let something in and something out—moisture and radiation out. You won't just have problems with irate subscribers, you'll also have the FCC on your back. Coaxial is supposed to be round; it's made to stay that way, but there are plenty of chances to bend it, especially if it's put in quickly and inefficiently."

This announcement appears as a matter of record only.

NEW ISSUE December 17, 1981

$12,000,000

COMBINED CABLE CORPORATION

$8,000,000

SENIOR SECURED NOTES WITH WARRANTS TO PURCHASE COMMON STOCK

$3,000,000

CONVERTIBLE PREFERRED STOCK

$1,000,000

COMMON STOCK

We assisted in the formation of the Company and placed the securities privately with institutional investors.

BLYTH EASTMAN PAINE WEBBER
INCORPORATED

The demand for experienced construction crews has caused two things: one is that many of the top MSOs are either running their own construction training operations, or have a construction division (see sidebar), and two, with demand for construction crews surpassing supply, the cost for experienced crews goes up. So, operators must pay to get what they want. And, again, this factor revolves around the availability of money.

Cash may be tight, but credit will still be an important contributor of funding, backed by sales projections and sales records that have continuously been reported by MSOs and manufacturers alike throughout fiscal 1981. This will still be the case in 1982, for despite the rather pessimistic outlook presented so far, there are many factors that indicate that the cable industry will experience a very healthy 1982, if at a lower percentage growth rate.

The positive factors naturally have a bearing on the overall construction expenditure picture. First of all, the number of subscribers, both pay and basic, will continue to grow at a fast pace. A recent Warburg Paribas Becker report (see "Leading the week," p. 24) claims basic subscribers will reach 31 percent by the end of 1982. And, second, 1982 may be a year of realization of current experiments—program services, security and addressable converters. Finally, 1982 will see the beginning and continuation of cable construction in the large recently granted franchises. 1981 was a key year for the awarding of major cities—Indianapolis, Fort Worth, Miami, Fairfield County, Boston, Prince George's County, and others.

Several MSOs, such as Cablevision Systems, Storer, Cox and Warner Amex, will experience a major construction workload in the new year. Warner has its work cut out for it as it continues work in its newest QUBE outlets in Dallas, Cincinnati, Pittsburgh, Houston, Chicago and suburbs of St. Louis (see sidebar). And most importantly, as *Cable Vision*'s refranchising feature (*CV*, 12/7/81, p. 114) pointed out, the responsibilities of refranchising loom threateningly on the horizon, with an end result being placed rather heavily on rebuilds. In fact, the rebuild situation is beginning to pick up throughout the industry. Companies like Tele-Communications, Inc., Warner and American Television and Communications may eventually face a series of rebuilds in some of their smaller systems which are on the verge of beginning refranchising negotiations. In addition, both Teleprompter and Times Mirror are in the midst of a five-year rebuild plan.

Such operations are in turn providing revenue for other companies. And with the heavy load of construction mileage slated for 1982, manufacturers should feel confident that their com-

Courtesy Warner Amex

Edward Campbell, president (left), and Don Turner, master control supervisor, stand in the master control center at the new headquarters of Warner Amex's Pittsburgh system.

Power off?
keep going...
with alpha standby power
New Franchise or Rebuild?
ALPHA offers you
unsurpassed reliability
along with these features:
• Automatic battery cycling.
• Extended battery life due to temperature compensated float and equalize charging.
• Less than 1 cycle transfer time.
• Inverter crystal controlled and line synchronized. 20-30 second time delay before synchronized retransfer to utility.
• Epoxy coated aluminum enclosure for maximum durability.
• All batteries on top to keep vapours and corrosive emissions away from electronics.
And for state-of-the-art systems these options:
APM (Automatic Performance Monitor) Performs selftesting and monitoring functions.
Saves costly maintenance time.
For even better operating economy, talk to us about the new Micro Processor Status Monitoring and Control.
ALPHA TECHNOLOGIES
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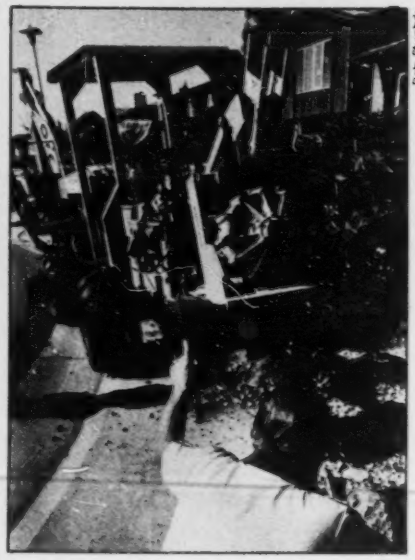

Rob Stuehrk

panies will thrive. The question is how long this trend will continue.

One manufacturer declared that there will be "dramatic growth for several years," but, like others, he footnoted his statement by adding that "construction won't continue at the same rate. Demand for products will simply not be as great as companies cut down or eliminate their stockpiling." Added another manufacturer, "We expect 1982 to be a continuation of our very favorable performance, but we see no further doubling of revenue as we have had the past several years."

CableVision's survey justifies these statements. All categories will experience growth, but some will have lower percentage increases than others. For example, our survey last year projected that line amplifiers would total approximately $106 million for 1981. Instead, they were about $103 million. It is a relatively slight difference, but in most other categories, the actual 1981 number was greater than the projected 1981 figure. The reason behind the lower actual number is attributed to the stockpiling phenomenon that manufacturers said operators were doing. In 1981, MSOs and independent systems allowed their own supply of products to diminish without replenishing them. The stockpiling cost, said one cable executive, "was simply too great to allow a continuation of this policy. It's just not cost effective for us." 1982, however, will see line amplifiers increase substantially as cable operators anticipate the need for such a product. But these new purchases will more than likely be used when there is demand for them, rather than relying on stockpiling.

In addition, our survey indicates that items such as antennae and towers and microwave equipment will not experience strong growth rates, while the earth station market will more than likely show a considerable sales increase. The rationale behind this is that as more and more cable systems come on line, there will be purchases to meet this demand, but more specifically, increased orders for dishes will result from the developing two- to three-earth station market (*CV*, 9/28/81, p. 28). *CableVision*'s figure of $18 million-plus for earth stations in 1982 is at best a rough estimate, for it is difficult to project just how many cable systems will decide this year to join the multiple dish crowd.

Local origination equipment will also increase rather substantially in 1982, due in general to increased activity on the local production front, and more specifically, due to the large L/O promises made by MSOs which have won major franchises. Local

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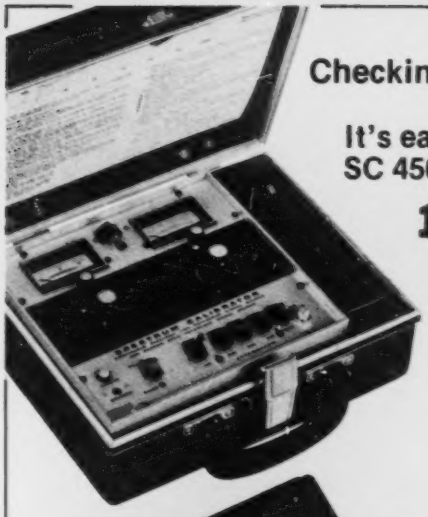

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Cover story

origination has rapidly become an important factor in the granting of a franchise, and many MSOs have had to up their budgets in allocating funds to this category. Therefore, more cameras, mobile vans and full-scale production studios will come on line in 1982 than ever before.

Naturally, because of the increased number of miles scheduled to be built in 1982, the need for cable trunk, feeder and drop will be high. Our projections reflect this with increases of 20, 18, and 36 percent (new build), respectively. Again, the factor of little or no stockpiling has been taken into consideration, with operators purchasing just enough material to cover their needs. Tying up needed money in extra inventory simply increases costs in other categories: accounting of inventory, storage and depreciation, to name a few.

Addressable converters are the next item that will become an explosive market within the industry in the years to come. Non-addressable converters will grow tremendously in 1982, up 40 percent, but it will be addressable converters that will have the greatest increase among all categories in 1982, the market almost doubling from 1981's figure of approximately $53 million to 1982's projected total of $96 million. This represents an increase of over 80 percent. However, according to some industry manufacturers and analysts, this figure will just barely scratch the surface of the potential market for addressable boxes. One manufacturer said that addressable converters "will not become a true factor until 1983," while another insists that by the end of 1982, addressable converters will "be the rule, rather than the exception."

One study indicates that sales figures for addressable converters may increase as much as 200 percent by 1983. It would appear that most, or perhaps all, major markets being built in the next few years will include addressability. As one operator has stated, "the addressable marketplace is just plain wide open." That perhaps best sums up the vibrant converter industry, which could well be an important contributor to making 1982 a successful year.

It is generally good to end on a positive note, but it must be reemphasized here that the economy will play a big role as to whether or not 1982 will become another landmark year. Past construction survey stories have had such headlines as "The $1.5 Billion Sellers' Market," "The Boom Industry

Continued to p. 59.

Cover story

Continued from p. 54.

of the '80s" and "Silver Lining in Recession Clouds Points to Solid Growth Year for Cable." The past few years have been good to and for cable, and the next few years will more than likely continue on that same line.

But most cable operators and manufacturers are wiser; they are becoming more experienced, and in many ways, as mentioned earlier, they are undergoing a conservative shift that is threading its way throughout the country. As one manufacturer remarked, "MSOs are really starting to become more mature; they are centralizing operations and taking advantage of economies of scale. They're getting rid of inventories because they are eating away at revenue. There's a lot more planning and a lot more forethought." Indeed, these factors will contribute more to cable's success in the construction marketplace than attempting to get a lead on a competitor by rushing untested products into the marketplace or sacrificing quality to sign up subscribers at a faster rate. Cutting corners by cutting costs in some categories will not produce the desired end results, nor will it contribute to an accurate total in construction growth.

The industry will grow in 1982, if slower than in the past, but judging from these numbers, it will still be a remarkable year. Generally, *CableVision* has been able to predict how and in what way the industry will move. Once again, as in the six years past, the results of the survey are derived from a sampling of MSOs and manufacturers, and while these numbers are approximations only, they represent *CableVision's* best educated analyses, based on the data supplied. All numbers and company references have been held in strict confidence.

Yet, there is one caveat. As the fluctuating marketplace of today becomes a daily headache, and as the economy remains mired in its present, rather muddied state, it is difficult to predict what will happen. *CableVision* will keep its readers updated on the industry's construction process in 1982 with our spring and fall examinations. It is likely, however, that in 1982, the industry will experience more than a few changes, based in part upon the economy. And taking this into consideration, along with increased forethought, the cable industry may indeed be listening to a new drummer, and if this is so, it is the construction side that is leading the band.

—Peter Evanow

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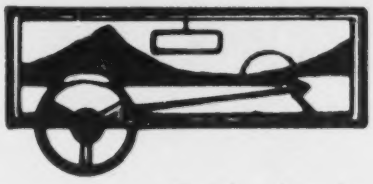

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Highlight on trainees

Courtesy Warner Amex

A National Institute of Technology instructor videotapes students climbing utility poles in preparation for cable installation at Warner Amex's Dallas system.

Six months ago, American Television and Communications Corporation dedicated its new construction training facility in Denver. The number-one MSO felt it appropriate to develop such an operation because of the pressing need for technicians and installers. In addition, ATC has its own construction division, which has contributed significantly to its construction efforts around the country.

But, ATC is not the only company to realize the need for training its own construction employees. In a new program offered by United Cable TV, also based in Denver, 20 men and women have been hired as trainees for cable system construction jobs. The students are paid during the six-week course and will be placed in entry level positions as cable installers and construction linemen once they first have completed the course

The course, the first of two that United is conducting, is being taught by consultants from Henkels & McCoy, a contracting and engineering firm for utilities and construction industries. The text materials and tests are being provided by the National Cable Television Institute. Instruction centers around both classroom and actual simulated installation work. The course outline includes pole climbing, safety, customer relations, installation, TV fundamentals and defensive driving.

United has yet to determine whether it will continue the program. Presently, the company is awaiting the results of the first classes. The graduates will be placed in United systems surrounding Denver, a company spokesman said. He added that the program will more than likely continue if United wins the Denver franchise.

Warner Amex, which has its hands full in terms of cable construction, has also become involved in a training operation that will bring new field technicians into its Dallas system. The technicians were trained at the National Institute of Technology's Dallas school, under an arrangement with Warner. Course content included cable training in customer relations, pole climbing, installation, trouble-shooting techniques and basic electronic maintenance of the QUBE system. The first session produced ten technicians and is to be followed by several additional sessions.

Warner is slated to build 2,500 miles

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CATV Texas Cable TV Association

Nicholas Bayless, a trainee at United's construction school, is learning pole climbing as a pre-requisite to qualify for a position as a cable installer.

in Dallas, passing 400,000 homes, and another 900 miles in Cincinnati, passing more than 160,000 homes. In addition, the company is building systems (all QUBE-operated) in Pittsburgh, Houston, Chicago and the suburbs of St. Louis.

A stress on organization

Despite the fact that several MSOs are developing their own construction training programs for their companies, one problem that is hindering the industry is a general lack of standardization. "Everyone has their own construction manual," complains Hazel Kenney, general manager of Ohio-based Jackson Enterprises, a leading contractor, which offers strand mapping, make ready surveys, system audits and the construction of cable systems. In addition, Jackson manufactures a line of construction tools and owns a number of cable systems.

On the topic of training construction personnel, Kenney believes each company has its own philosophy, which can prove hazardous to the industry as a whole. "Everyone teaches their own apparatus to their crews—

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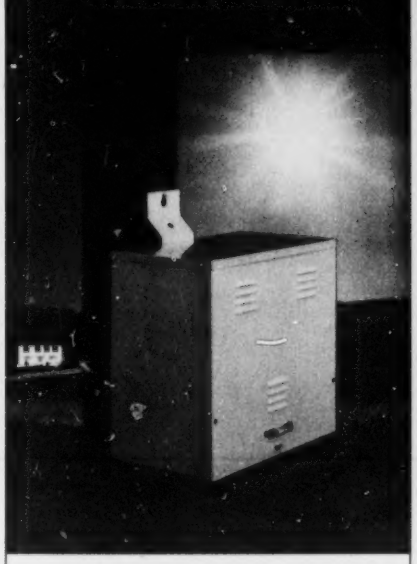

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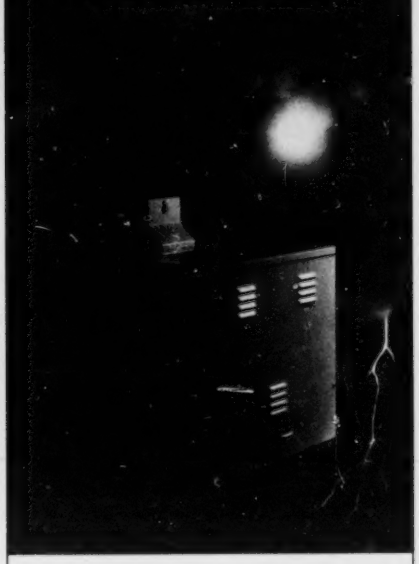

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how to do it their way. As with any other student that is taught one way, he generally stays that way, meaning that there are just enough small differences around the country to confuse the craftsman."

The potential result of this is that construction workers who have moved to a different area and work for a different construction company or MSO may indeed commit an unintentional error in wiring. "We could be looking at a rebuild after only six years, for example, because of some defect in the original build. It can be a costly problem."

What Kenney and many others in the industry would like to see is a joint effort on the part of the major construction companies and the MSOs. Pooling ideas to develop one compre-

A history lesson

A logging of the past six construction forecasts

	1978 Projected	1978 Actual	1979 Projected	1979 Actual	1980 Projected	1980 Actual
New plant construction						
In miles						
Underground	3,409	4,121	4,502	8,736	12,223	7,582
Aerial	18,180	18,005	20,163	23,178	36,709	48,750
Total	**21,589**	**22,126**	**24,665**	**31,914**	**48,932**	**56,332**
Replacement plant Construction						
In miles						
Underground	1,264	1,159	1,113	1,508	519	1,145
Aerial	7,084	6,998	8,572	6,635	7,538	8,925
Total	**8,348**	**8,157**	**9,685**	**8,143**	**8,057**	**10,070**
Grand total	**$227,254**	**$241,607**	**$262,075**	**$651,853**	**$1,049,263**	**$1,187,744**

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These numbers do not reflect the 1982 adjusted figure.

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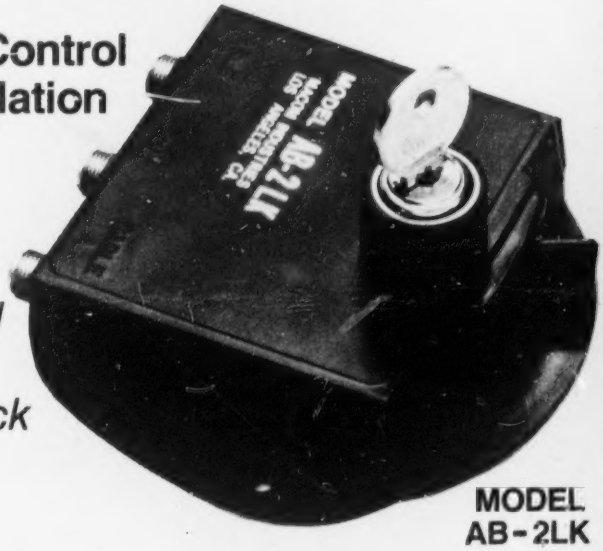

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hensive construction manual to be used nationwide would be the intended goal. "Having everybody come together would naturally result in better overall quality," she says.

"If we could set a construction standard," Kenney continued, "then we could get utility companies to participate as well." Kenney pointed out that setting industry mapping standards, as was done by the NCTA in 1974, when it developed certain mapping symbols, is an important step in the right direction. "In the case of mapping symbols, we really need the utilities, because they have the say over how to use the pole.

"It's a sizeable task," Kenney admits. "Design symbols need updating. Presently, Wendell Bailey [of NCTA's Science and Technology

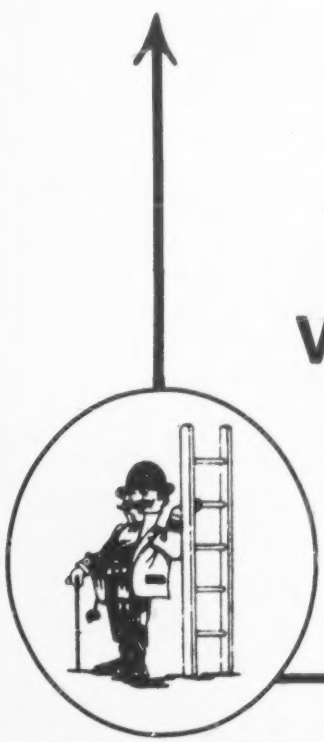
A history lesson

A logging of the past six construction forecasts

	1975 Actual	1976 Projected	1976 Actual	1977 Projected	1977 Actual
New plant construction					
In miles					
Underground	1,865	844	1,606	2,225	2,522
Aerial	9,310	12,906	10,852	18,560	16,271
Total	**11,175**	**13,750**	**12,458**	**20,785**	**18,793**
Replacement plant Construction					
In miles					
Underground	655	683	207	685	1,222
Aerial	2,600	4,384	2,893	2,916	6,236
Total	**3,255**	**5,067**	**3,100**	**3,601**	**7,458**
Grand total	**$126,822**	**$143,242**	**$168,952**	**$196,004**	**$194,795**

(in thousands)

These numbers do not reflect the 1982 adjusted figure.



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office] is reprinting the original book on mapping symbols."

Kenney first became aware of a standardization problem when she started working for Jackson in the early '70s. Because the industry is still relatively new, and moving so rapidly, she says, there simply hasn't been time to develop some industry-wide guidelines. This applies especially in training. "People are brought along very fast because of the shortage of personnel in construction. Cable is a type of business where one has to have a certain motivation to work in the industry. One of the reasons why Jackson pulled in its horns geographically [in 1979] was to keep a stable workforce. There's just too much going against any kind of standardization when employees are jumping jobs."

With a keen sense of determination that has positioned her into the general manager's chair at Jackson, Kenney is making some headway in her quest to bring some common ground to the industry. But she has to convince others to follow suit. "Everyone would get a better construction job and it would be a lot easier to train employees if we worked together."

Picking up remains

It would appear there is a market, or a business, for everything. For example, what would one do with old or damaged cable that has been replaced? Call in Copal Industries, Inc., of course. Copal's slogan is appropriately "We're buying [scrap cable]."

As their ad claims, Copal is a service that solves a problem and earns a profit for the cable operator. "Basically, we're in the metal business," says John Smeriglio, vice president of marketing. "We recycle metal out of cable for reprocessing; we remove the copper and aluminum and discard the steel and plastic."

The two advantages to the cable operator are that Copal will haul away all discarded cable. In addition, the operator is paid a certain amount, based on the pound, for all the cable Copal will haul away.

"Most MSOs don't want salvage cable," Smeriglio explains. "So that's where we come in. We will send out a crew that will pick up the material and truck it to our processing plants in either California or Georgia."

The company primarily is interested in the copper and aluminum; however, it will remove all material, including that which it cannot use or turn around for a profit of its own.

Copal takes new and remnant waste plus the tail ends on spools. Approximately 20 miles is a full load, says Smeriglio. Presently, there are ten company trucks on the road traveling to and from cable construction sites.

"We plan to add another 40 trucks by next July," he says proudly, "constantly in motion." Copal has worked extensively for ATC as well as Teleprompter, Cox, Warner Amex and MetroVision. The rate Copal pays per pound is closely tied to the going rates on the metals market. When the company contracts for a job that may last over a period of time, it is careful to take market fluctuations into account.

Once the cable is in Copal's hands, the company turns around and sells it to large recyclers like Anaconda and Alcoa.

Smeriglio is pleased with the success that Copal has achieved thus far. "We just saw the demand to move scrap cable, and so we went after it," he says. The company hasn't looked back since.

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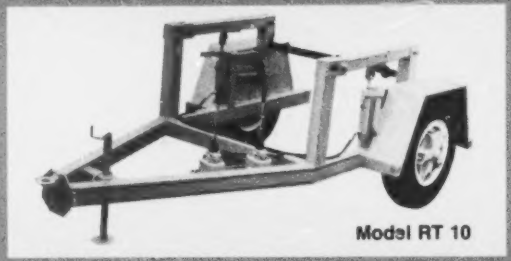

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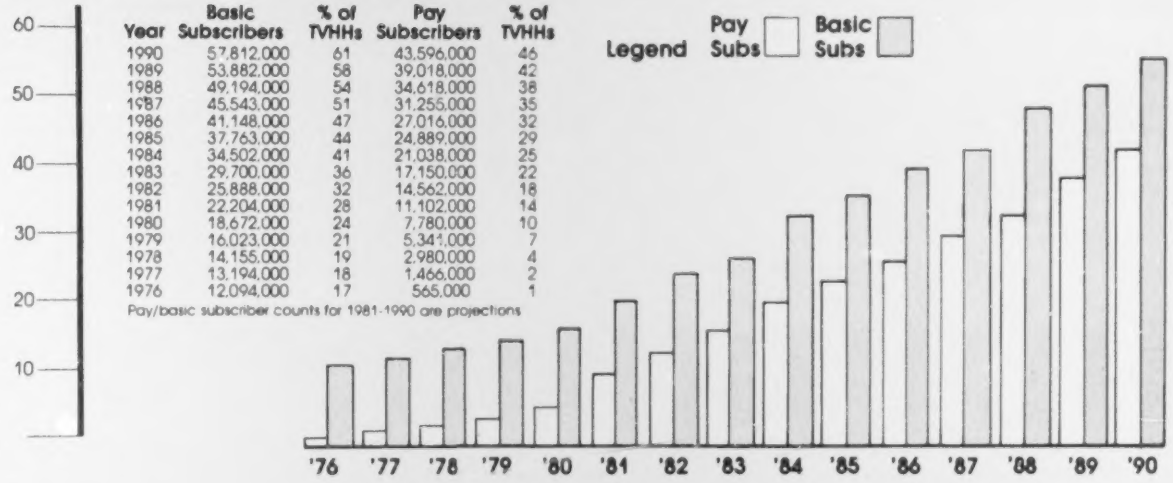
Cable stats

Pay/basic cable growth

Year	Basic Subscribers	% of TVHHs	Pay Subscribers	% of TVHHs
1990	57,812,000	61	43,596,000	46
1989	53,882,000	58	39,018,000	42
1988	49,194,000	54	34,618,000	38
1987	45,543,000	51	31,255,000	35
1986	41,148,000	47	27,016,000	32
1985	37,763,000	44	24,889,000	29
1984	34,502,000	41	21,038,000	25
1983	29,700,000	36	17,150,000	22
1982	25,888,000	32	14,562,000	18
1981	22,204,000	28	11,102,000	14
1980	18,672,000	24	7,780,000	10
1979	16,023,000	21	5,341,000	7
1978	14,155,000	19	2,980,000	4
1977	13,194,000	18	1,466,000	2
1976	12,094,000	17	565,000	1

Pay/basic subscriber counts for 1981-1990 are projections



Announced satellite-fed networks–1981

	Launch Date
February 1981	
Daytime—four-hour women's programming service from Hearst/ABC Video Services . . . ad-supported.	3/15/82
March 1981	
MTV—24-hour video rock music channel from WASEC... ad-supported.	6/1/81
The Nashville Network—country and western music and lifestyle service, produced by WSM-TV, Nashville (Grand Ole Opry, possibly in conjunction with Group W Satellite Communications). . . ad-supported.	second quarter 1982
April 1981	
UTV Cable Network—12-hour daily hybrid service featuring games and other audience participation programming . . . ad-supported.	second quarter 1982
May 1981	
Eros—adult entertainment pay cable service.	1/1/81
Kidvid Network—daytime children's television service . . . ad-supported	second quarter 1982
Penthouse Entertainment Network—joint adult entertainment pay service between Tele Mine and and *Penthouse* magazine.	T.B.A.
June 1981	
The Buena Vista Channel—bi-lingual programming for Hispanic Americans . . . noncommercial basic service.	T.B.A.
July 1981	
Cable Newspaper Corporation—hybrid programming channel using resources of local newspapers around the country . . . ad-supported.	second quarter 1982
WBLS-TV/Black Music Cable (Inner City/Unity)—12-hour video music service spotlighting black performers . . . ad-supported.	third quarter 1982
Spanish Universal Network—Spanish-language programming service . . . ad-supported.	T.B.A.
The Weather Channel—24-hour video weather service from Landmark Communications . . . ad-supported.	second quarter 1982
August 1981	
Satellite News Channels I—joint venture between ABC Video Enterprises and Group W Satellite Communications, 24-hour headline news service with 18-minute summaries of events . . . ad-supported.	first quarter 1982
Satellite News Channels II—24-hour in-depth news and information programming using ABC News resources (joint venture between ABC Video Enterprises and Group W Satellite Communications) . . . ad-supported.	fourth quarter 1982
Cable News Network 2—24-hour news service	12/31/81
The Playboy Channel . . . adult entertainment pay service, ultimately to merge with Escapade (Rainbow)	January 1982
September 1981	
ESPN/ABC pay sports service—one pay-per-view sports event per month, cablecast over ESPN.	second quarter 1982
October 1981	
SPN networks—subdivision of Satellite Program Network into four services: one for informational and how-to programming, one for movies, another for religious and financial shows, and one for international fare . . . all four networks are ad-supported and 24 hours daily.	second quarter 1984
Home Theater Network Plus—expansion of Home Theater Network into 12-hour service.	3/1/82
Heartbeat Media Network—12-hour hybrid video music channel, encompassing rock, soul, jazz, and other formats . . . ad-supported.	third/ fourth quarter 1982
National Jazz Network—24-hour jazz audio service . . . ad-supported.	first quarter 1982
November 1981	
The Disney Channel—16-hour family programming pay network from Walt Disney Productions and Group W Satellite Communications	first quarter 1983
Decemben 1981	
Spotlight—pay service currently on Times Mirror systems, will become foundation service for industrywide use.	first quarter 1982

Top 25 MSOs

Rank	Multiple System Operator	Subscribers
1.	ATC	1,625,000
2.	Teleprompter/Westinghouse	1,533,322
3.	TCI	1,277,000
4.	Cox Cable Communications, Inc.	1,019,989
5.	Warner Amex Cable Communications, Inc.	850,000
6.	Storer Cable Communications	800,002
7.	Times Mirror	635,368
8.	Viacom Cablevision	535,000
9.	Newhouse Broadcasting (includes NewsChannels, MetroVision and Vision Cable)	528,981
10.	UA-Columbia	467,544
11.	Sammons Communications, Inc.	433,545
12.	United Cable Television Corporation	432,112
13.	Continental Cablevision, Inc.	410,000
14.	General Electric Cablevision Corporation	276,000
15.	Cablecom General/Capital Cities	268,577
16.	TeleCable Corporation	264,000
17.	Heritage Communications	220,000
18.	Liberty Communications	208,298
19.	Cablevision Systems Development (includes Cablevision of Chicago)	206,000
20.	Service Electric Cable TV, Inc.	189,500
21.	Comcast Corporation	186,392
22.	Wometco Communications, Inc.	180,000
23.	Midwest Video Corporation	174,349
24.	Century Communications	162,000
25.	TCA Group	155,000

Top 25 cable systems

Rank	Location	Subscribers	Operator
1.	San Diego, CA	Cox Cable	209,000
2.	Long Island, NY	Cablevision Systems	140,000
3.	Manhattan, NY	ATC	124,300
4.	Manhattan, NY	Teleprompter	120,000
5.	West Orange, NJ	Suburban Cable	114,626
6.	Los Angeles, CA	Theta Cable/ Teleprompter	100,000
7.	Wayne, NJ	UA-Columbia	94,937
8.	Tulsa, OK	United Cable	91,113
9.	Erie County, NY	Prime Cable	90,961
10.	San Jose, CA	Gill Cable	86,000
11.	Central Islip, NY	Viacom	79,673
12.	Audubon, NJ	Audubon Electronics	79,125
13.	Orlando, FL	ATC	68,550
14.	Toledo, OH	Buckeye	66,907
15.	Wilmington, DE	Rollins Cable	65,600
16.	Austin, TX	ATC	65,295
17.	Grand Rapids, MI	General Electric	63,777
18.	Honolulu, HI	Oceanic Cable/ATC	59,400
19.	San Francisco, CA	Viacom	59,138
20.	Flint, MI	Comcast	57,255
21.	Allentown, PA	Twin County	57,000
22.	Santa Barbara, CA	Cox Cable	54,322
23.	Baton Rouge, LA	Daniels	52,000
24.	San Diego, CA	ATC	51,350
25.	Columbus, OH	Warner Amex Cable Communications	51,000

Recent franchise activity

Date	Franchise	Homes Passed	Status	Award Date
June 1981	Vancouver, Washington	60,000	Awarded to Cox Cable	—
July 1981	Fairfield County, Connecticut	120,000	Awarded to Cablevision	—
Aug. 1981	Boston, Massachusetts	242,000	Awarded to Cablevision	—
Sept. 1981	Springfield, Massachusetts	60,000	Awarded to Continental	—
Oct. 1981	Tucson, Arizona	135,000	Awarded to Cox Cable	—
Nov. 1981	Prince George's County, Maryland	120,000	North end awarded to Storer Communications of Maryland with south section going to MetroVision.	Nov. 1981 Dec. 1981
Dec. 1981	New York, New York	Bronx—490,000 Brooklyn—885,000 Queens—720,000 Staten Is.—106,000	The Board of Estimate for New York has recommended Cablevision/Bedford Stuyvesant for northern tier of Brooklyn with Warner Amex for south. In Queens, American Cablevision of Queens (ATC), Queens Inner Unity Cable Systems and Warner Amex are being considered. On Staten Island, Cox Cable, Vision Cable and Warner Amex have been targeted for negotiation. Cablevision Systems was sole bidder in the Bronx.	
Dec. 1981	Denver, Colorado	216,000	Bids submitted by Mile Hi Cablevision (ATC and Daniels), Teleprompter and United.	Feb. 1982
Dec. 1981	Milwaukee, Wisconsin	252,000	Bids submitted by Warner Amex, Teleprompter, Milwaukee Cablevision, First Cable of Milwaukee, Community Citizens Controlled Cable Co-op, Viacom.	Feb.-Mar. 1982

Cable barometer

Television households (TVHH)	79,300,000	Percent of TVHH passed by cable	51%
Homes passed by cable (HP)	40,777,040	Pay cable subscribers	11,102,000
Basic cable subscribers	22,204,000	Percent of TVHH with pay cable	14%
Percent of HP with basic cable	54%	Percent of HP with pay cable	27%
Percent of TVHH with basic cable	28%	Percent of basic subs with pay cable	50%